

NEW HAVEN HOUSING COMMISSION

Financial Statements

March 31, 2004

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Opinion	1
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses and Net Assets	3
Combined Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Statement of Net Assets	11
Combining Statement of Revenues and Expenses	12
Schedule of Annual Federal Awards	13
Status of Prior Audit Findings	14
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	15
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Schedule of Findings and Questioned Cost	18
Finding: 1) collateralization Agreement	20

Certified Public Accountant

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Board of Commissioners
New Haven Housing Commission
30100 John Rivers Drive
New Haven, Michigan 48048

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the New Haven Housing Commission as of and for the year ended March 31, 2004. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Haven Housing Commission as of March 31, 2004, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2004, on my consideration of the New Haven Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountant

November 3, 2004

NEW HAVEN HOUSING COMMISSION

Combined Statement of Net Assets
March 31, 2004

ASSETS

C-3218

CURRENT ASSETS

Cash	\$	274,308	
Accounts Receivable			
(Net of Uncollectible \$ 1,000)		2,839	
Accounts Receivable- HUD		3,610	
Prepaid Expenses		<u>23,767</u>	
Total Current Assets	\$		274,054

NON CURRENT ASSETS

Land	\$	112,710	
Buildings		4,046,534	
Furniture, Equipment- Dwellings		183,877	
Furniture, Equipment- Administrative		87,001	
Leasehold Improvements		90,779	
Accumulated Depreciation		<u>(1,783,006)</u>	
Total Non Current Assets			<u>2,737,895</u>

TOTAL ASSETS \$ 3,042,419

NEW HAVEN HOUSING COMMISSION
Combined Statement of Net Assets
March 31, 2004

LIABILITIES & NET ASSETS

C-3218

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$ 11,426
Accounts Payable- Other Governments	3,181
Accrued Liabilities	19,844
Tenants Security Deposit	14,069
Deferred Revenue	<u>14,846</u>

<u>Total Current Liabilities</u>	\$	63,366
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NET ASSETS:

Contributed Capital	\$ 4,773,004
Retained Earnings (Deficit)	<u>(1,793,951)</u>

<u>Total Equity</u>	\$	<u>2,979,053</u>
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<u>TOTAL LIABILITIES & EQUITY</u>	\$	<u>3,042,419</u>
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The Accompanying Notes are an Integral part of the Financial Statements

NEW HAVEN HOUSING COMMISSION
Combined Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended March 31, 2004

	<u>Business Type Activities</u>
<u>OPERATING REVENUE</u>	
Tenant Rental Revenue	\$ 82,390
Tenant Revenue- Other	2,641
HUD Grants	617,212
Interest Income	1,059
Other Income	<u>6,588</u>
 <u>Total Operating Revenue</u>	 \$ 709,890
 <u>OPERATING EXPENSES</u>	
Administrative	\$ 121,700
Tenant Services	3,123
Utility Expenses	65,289
Ordinary Maintenance	155,848
General Expenses	<u>36,118</u>
 <u>Total Operating Expenses</u>	 <u>382,078</u>
 <u>Operating Income (Loss)</u>	 \$ 327,812
 <u>NONOPERATING REVENUES (EXPENSES)</u>	
Depreciation Expenses	<u>(150,505)</u>
 <u>Change in Net Assets</u>	 \$ <u>177,307</u>
 Total Net Assets- Beginning	 2,909,112
Prior Period Adjustments	<u>(107,366)</u>
 Adjusted Beginning Balance	 \$ <u>2,801,746</u>
 Total Net Assets- Ending	 \$ <u>2,979,053</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

Combined Statement of Cash Flows
For the Year Ended March 31, 2004

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 85,976
Payments to Suppliers	(448,832)
Payments to Employees	(105,440)
HUD Grants	617,212
Other Receipts (Payments)	<u>7,647</u>
Net Cash Provided (Used) by Operating Activities	\$ 156,563

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(108,831)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 47,732
Balance- Beginning of Year	<u>226,576</u>
Balance- End of Year	\$ <u>274,308</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 177,307
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	150,505
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(76,545)
Prepaid Expenses	(17,509)
Interfund Due From	18,718
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(72,956)
Accounts Payable Other Governments	881
Security Deposits	(512)
Accrued Liabilities	(3,664)
Deferred Revenue	(944)
Interfund Due To	<u>(18,718)</u>
Net Cash Provided by Operating Activities	\$ <u>156,563</u>

The Accompanying Notes are an Integral part of the Financial Statements

Notes to Financial Statements
March 31, 2004

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

New Haven Housing Commission, New Haven, Michigan, (Commission) was created by ordinance of the city of New Haven. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following as of March 31, 2004:

MI 180	Low rent program	88 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3-10 years

The estimated portion of the liability for vested leave benefits attributable to the Commission is recorded as an expenditure and liability in each of the respective programs.

Note 2: Cash.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 208,849
Petty Cash	500
Savings	<u>64,959</u>
Financial Statement Total	<u>\$ 274,308</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 208,849	\$	\$	\$ 208,849	\$ 208,849
Petty Cash	500			500	500
Money Market	<u>64,959</u>			<u>64,959</u>	<u>64,959</u>
Total Cash	\$ <u>274,308</u>	\$	\$	\$ <u>274,308</u>	\$ <u>274,308</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 112,710	\$	\$	\$ 112,710
Buildings	3,969,880	76,654		4,046,534
Furniture & Equipment-Dwellings	183,877			183,877
Furniture & Equipment-Admin	68,949	18,052		87,001
Leasehold Improvements	<u>76,654</u>	<u>14,125</u>		<u>90,779</u>
	\$ 4,412,070	\$ 108,831	\$	\$ 4,520,901
Less Accumulated Depreciation	<u>1,632,500</u>	<u>150,506</u>		<u>1,783,006</u>
	\$ <u>2,779,570</u>	\$ <u>(41,675)</u>	\$	\$ <u>2,737,895</u>

Note 4: Accrued Liabilities

The accrued liabilities consist of the following:

Management fee payable	\$ 2,200
Accrued Utilities payable	12,732
Accrued Wages & Payroll Taxes	<u>4,912</u>
	\$ <u>19,844</u>

Note 5: Deferred Revenue

Deferred Revenue consists of the following:

Prepaid Tenant Rents	\$ 1,692
Prepaid Comcast Income	<u>13,154</u>
	\$ <u>14,846</u>

Comcast, Inc., entered into an exclusive rights agreement with the Commission whereas the units will be restricted to Comcast cable service for an advance of \$ 175/per unit. The agreement covers a twelve year period and will be amortized over the length of the contract.

Note 6: HUD Guaranteed Debt and Contributed Capital.

HUD guaranteed debt has been reclassified to Contributed Capital for all years ending after June 30, 1999. The reclassification is a result of all HUD programs converting from a basis of accounting prescribed by HUD other than Generally Accepted Accounting Principles (GAAP), to GAAP.

The following represents the original entries to contributed capital for HUD backed debt as a result of the above classification:

HUD Held Notes	\$ 5,352,190
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Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 9: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,136,203
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 10: Segment Information for Enterprise Funds.

The Commission maintains an enterprise fund; segment information for the year ended March 31, 2004, is as follows:

Operating Revenue	\$ 617,212
Operating Income	327,812
Non Operating Revenue (Expenses)	
Depreciation Expense	(150,505)
Net Profit (Loss)	177,307
Non Current Assets (net)	2,737,895
Total Assets	3,042,419
Retained Earnings	(1,779,019)

	Combining Statement of Net Assets	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	246,913	-	246,913
112	Cash - restricted - modernization and development	-		-
113	Cash - other restricted			-
114	Cash - tenant security deposits	27,395		27,395
100	Total cash	274,308	-	274,308
	Accounts and notes receivables:			
121	Accounts receivable - PHA projects			-
122	Accounts receivable - HUD other projects	3,610		3,610
124	Accounts receivable - other government			-
125	Accounts receivable - miscellaneous			-
126	Accounts receivable- tenants - dwelling rents	3,839		3,839
126.1	Allowance for doubtful accounts - dwelling rents	(1,000)		(1,000)
126.2	Allowance for doubtful accounts - other			-
127	Notes and mortgages receivable- current			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivable			-
120	Total receivables, net of allowances for doubtful accounts	6,449	-	6,449
	Current investments			-
131	Investments - unrestricted	-		-
132	Investments - restricted			-
142	Prepaid expenses and other assets	23,767		23,767
143	Inventories			

		-		-
143.1	Allowance for obsolete inventories			-
144	Interprogram - due from	-	-	-
146	Amounts to be provided			-
150	TOTAL CURRENT ASSETS	304,524	-	304,524
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	112,710		112,710
162	Buildings	4,046,534		4,046,534
163	Furniture, equipment & machinery - dwellings	183,877		183,877
164	Furniture, equipment & machinery - administration	87,001	-	87,001
165	Leasehold improvements		90,779	90,779
166	Accumulated depreciation	(1,783,006)	-	(1,783,006)
160	Total fixed assets, net of accumulated depreciation	2,647,116	90,779	2,737,895
171	Notes and mortgages receivable - non-current			-
172	Notes and mortgages receivable-non-current-past due			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint ventures			-
180	TOTAL NONCURRENT ASSETS	2,647,116	90,779	2,737,895
190	TOTAL ASSETS	2,951,640	90,779	3,042,419
	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	11,426		11,426
313	Accounts payable > 90 days past due			-
321	Accrued wage/payroll taxes payable	4,912		4,912
322	Accrued compensated absences	-		-
324	Accrued contingency liability			

				-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA programs			-
332	Accounts Payable - PHA Projects			
333	Accounts payable - other government	3,181	-	3,181
341	Tenant security deposits	14,069		14,069
342	Deferred revenues	14,846		14,846
343	Current portion of Long-Term debt - capital projects			-
344	Current portion of Long-Term debt - operating borrowings			-
345	Other current liabilities	14,932		14,932
346	Accrued liabilities - other	-		-
347	Inter-program - due to	-	-	-
310	TOTAL CURRENT LIABILITIES	63,366	-	63,366
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital projects			-
352	Long-term debt, net of current- operating borrowings			-
353	Noncurrent liabilities- other			-
350	TOTAL NONCURRENT LIABILITIES	-	-	-
300	TOTAL LIABILITIES	63,366	-	63,366
	EQUITY:			
501	Investment in general fixed assets			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guaranteed	-		-
504	Net HUD PHA contributions	4,773,004		4,773,004
505	Other HUD contributions			-
508.01	Net Assets invested in Capital Assets			-

508	Total contributed capital	4,773,004	-	4,773,004
	Reserved fund balance:			-
509	Reserved for operating activities			-
510	Reserved for capital activities			-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	(1,884,730)	90,779	(1,793,951)
513	TOTAL EQUITY	2,888,274	90,779	2,979,053
600	TOTAL LIABILITIES AND EQUITY	2,951,640	90,779	3,042,419

New Haven Housing Commission

31-Mar-04

MI180

	Combining Statement of Revenues, Expenses	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #			-	
	REVENUE:	-		
703	Net tenant rental revenue	82,390		82,390
704	Tenant revenue - other	2,641		2,641
705	Total tenant revenue	85,031	-	85,031
706	HUD PHA grants	265,399	351,813	617,212
708	Other government grants			-
711	Investment income - unrestricted	1,059	-	1,059
712	Mortgage interest income			-
714	Fraud recovery			-
715	Other revenue	6,588	-	6,588
716	Gain or loss on the sale of fixed assets			-
720	Investment income - restricted			-
700	TOTAL REVENUE	358,077	351,813	709,890
	EXPENSES:			
	Administrative			
911	Administrative salaries	42,969		42,969
912	Auditing fees	2,650		2,650
913	Outside management fees	29,568		29,568
914	Compensated absences			-
915	Employee benefit contributions- administrative	5,834		5,834
916	Other operating- administrative	40,679	-	40,679
	Tenant services			
921	Tenant services - salaries	2,838		2,838
922	Relocation costs	-		-
923	Employee benefit contributions- tenant services	285		285
924	Tenant services - other	-		-
	Utilities			
931	Water	52,650		52,650
932	Electricity			

		10,288		10,288
933	Gas			
		2,351		2,351
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense			-
		-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	59,633		59,633
942	Ordinary maintenance and operations - materials & other	85,091		85,091
943	Ordinary maintenance and operations - contract costs	3,013		3,013
945	Employee benefit contributions- ordinary maintenance	8,111		8,111
	Protective services			
951	Protective services - labor			-
952	Protective services- other contract costs			-
953	Protective services - other	-		-
955	Employee benefit contributions- protective services			-
	General expenses			
961	Insurance premiums	28,985		28,985
962	Other General Expenses			
963	Payments in lieu of taxes	3,181		3,181
964	Bad debt - tenant rents	3,952		3,952
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense			-
968	Severance expense	-		-
969	TOTAL OPERATING EXPENSES	382,078	-	382,078
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(24,001)	351,813	327,812
971	Extraordinary maintenance	-		-
972	Casualty losses - non-capitalized			-
973	Housing assistance payments		-	-
974	Depreciation expense	150,505		150,505
975	Fraud losses			-
976	Capital outlays- governmental funds	-		-
977	Debt principal payment- governmental funds			-

978	Dwelling units rent expense			-
900	TOTAL EXPENSES	532,583	-	532,583
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in (out)	261,034	(261,034)	-
1002	Operating transfers out			-
1003	Operating transfers from/to primary government			-
1004	Operating transfers from/to component unit			-
1005	Proceeds from notes, loans and bonds			-
1006	Proceeds from property sales			-
1010	TOTAL OTHER FINANCING SOURCES (USES)	261,034	(261,034)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	86,528	90,779	177,307

NEW HAVEN HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2004

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
* C-3218 Operating Subsidies	\$ <u>265,399</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	
C-3218 Capital Projects Grants	\$ <u>351,813</u>
	\$ <u>617,212</u>

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,136,203
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

NEW HAVEN HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2004

The prior audit of the New Haven Housing Commission for the period ended March 31, 2003 contained two audit findings; the corrective action taken by the Commission is as follows:

01-1 Excessive Accounts Receivable- This year the accounts receivable are reduced to an acceptable balance.

03-1 Davis Bacon Act Compliance- The Commission has received the certified payrolls and conducted employee interviews as required.

NEW HAVEN HOUSING COMMISSION
Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133
March 31, 2004

Compliance

I have audited the compliance of New Haven Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2004. New Haven Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of New Haven Housing Commission's management. My responsibility is to express an opinion on New Haven Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Haven Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of New Haven Housing Commission's compliance with those requirements.

In my opinion, New Haven Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Collateralization	04-1	Cash Management

Internal Control over Compliance

The management of New Haven Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered New Haven Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

November 4, 2004

NEW HAVEN HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2004

I have audited the financial statements of New Haven Housing Commission, New Haven, Michigan, as of and for the year ended March 31, 2004, and have issued my report thereon dated November 4, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New Haven Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: finding 03-1 and 03-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered New Haven Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect New Haven Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

November 4, 2004

Schedule of Findings and Questioned Cost- continued

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Public and Indian Housing	Yes	None	04-1
Capital Projects Funds	Yes	None	N/A

Schedule of Findings, Recommendations and Replies
March 31, 2004

The following findings of the New Haven Housing Commission, for the year ended March 31, 2004, were discussed with the Property Supervisor, in an exit interview conducted November 4, 2004.

Finding 04-1 Collateralization Agreement.

The Commission had over \$ 100,000 in a bank account at year end; no evidence of a collateralization agreement protecting the Commission's cash beyond FDIC limits exists.

Recommendation

HUD requires all Commission assets be insured from the potential of loss; FDIC limits only protect bank accounts up to \$ 100,000; either the Commission needs to enter into a collateralization agreement with the bank, or move the excess funds to another bank.

Reply

Action Taken: Smith Barney, which is owned by Citibank, has ten Program Banks within its operating portfolio. This allows Smith Barney to provide up to \$ 1,000,000 in federal deposit insurance. Fourmidable will recommend to the Board that the Funds be moved to a new account at Smith Barney.